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## APPEARANCES

John A. Pabst, Attorney, Pabst Law Firm, Albia, Iowa

Lonnie White, International Servicing Representative, Des Moines,  
Iowa

## JURISDICTION OF FACT-FINDER

The City of Albia, Iowa (hereinafter referred to as the "City" or "Employer") and UAW Police Officers Local #74 (hereinafter referred to as the "Union") failed to conclude bargaining in negotiations for a successor two-year collective bargaining agreement beginning July 1, 2002 and ending July 1, 2004, and all mediation attempts were unsuccessful. The City and the Union (hereinafter referred to as the "Parties") are now proceeding to fact-finding under the statutory impasse procedure set forth in Chapter 20 of the Iowa Code.

The Fact-Finder, Richard John Miller, Maple Grove,

Minnesota, was selected by the Parties from a panel submitted by the Iowa Public Employment Relations Board. A hearing in the matter convened on February 6, 2002, at 9:00 a.m. in the Monroe County Courthouse, Albia, Iowa. The Parties were afforded full opportunity to present evidence and arguments in support of their respective positions. The Parties elected to make closing arguments in lieu of filing post hearing briefs. Following receipt of written evidence, testimony and arguments, the hearing was considered closed on that date.

#### **POSITIONS OF THE PARTIES**

There remains two items at impasse: Health Insurance and Wages. The City offers two proposals:

1. The City will pay no wage increase and will pay all health insurance premiums.
2. The City will pay a 3% per annum wage increase and pay 85% of the health insurance premiums.

The Union's position is for a 4% wage increase and employees would pay 50% of the premium for family coverage with a cap of \$75.00 per month.

#### **ANALYSIS OF THE EVIDENCE**

The Public Employment Relations Act (PERA) provides no explicit criteria for fact-finder recommendations. It does, however, list factors arbitrators must consider in fashioning their awards at Section 20.22(9) of the Iowa Code. Since the

fact-finder's recommendations may be selected later by an arbitrator if the Parties fail to reach final resolution, it is important that those statutory criteria be given appropriate consideration by the fact-finder. The factors have been considered by the fact-finder as follows:

9. The panel of arbitrators shall consider, in addition to any other relevant factors, the following factors:

a. Past collective bargaining contracts between the parties, including the bargaining that led up to such contracts.

b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.

c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.

d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

Further, Section 20.22(11) of the Iowa Code requires that the arbitrator select the most reasonable offer or the fact-finder's recommendation presented on each impasse item.

At the onset, it must be emphasized that this is not a case where one Party or the other Party has bargained in "bad faith" or played "games" with the negotiations process. To the contrary, this is a situation where both Parties have bargained

in "good faith" by offering and counter-offering many combined wage and health insurance proposals, but they are innocent victims of the spiraling cost of health insurance premiums. If there is any consolation, the Parties are not alone in this dilemma as employers and unions throughout the country are faced with enormous increases in health insurance premiums. The Parties, however, are facing a greater dilemma because they are a small group (pool), with a very high usage (experience) rating by their health insurance carrier. What further compounds the problem is that the experience rating will be on the increase for the next two years of the successor contract due to the recent serious and costly health problems to pool members and their spouses (heart attack, cancer and dementia).

The increases in health insurance premiums have been staggering in the past few years for the City. Single coverage health insurance premiums for the 1997-1998 period to the 2001-2002 period rose from \$2,192.00, to \$2,280.48, to \$2,694.12, to \$2,961.48, and \$3,610.68, a 64.73% total increase with a 21.92% increase in the last year. Health insurance premiums for family coverage from the 1997-1998 period to the 2001-2002 period rose from \$5,115.48, to \$5,359.22, to \$6,331.56, to \$6,959.76, to \$9,026.64, a total increase over the period of 76.46% with 29.70% in the last year.

The prospect of the single and family premiums even going up higher for the next two years than last year due to the high usage rating has substantially limited the options of the Parties with respect to a fair and equitable wage increase.

The City currently pays the entire cost of the single and family health insurance premiums. This was negotiated by the Parties in their current 2000-2002 contract. Past bargaining history establishes that the City agreed to pay the entire cost of health insurance in the 1994-1996 agreement. In the 1996-1998 agreement, the health insurance was capped at \$375.00 per month for a family plan and \$165.00 per month for a single plan policy because the health insurance premiums increased substantially during the 1994-1996 period. In the 1998-2000 agreement and the 2000-2002 agreement, the City agreed to pay the entire cost of health insurance.

There have been wage increases, in addition to paying the health insurance premiums, during each of years of these contracts. The following indicates the combined wage and health increases from 1996/97 through 2001/2002 for bargaining unit members:

	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002
Assist. Chief					
(family)	4.51%	3.23%	5.23%	4.53%	8.02%
(single)	4.58%	3.04%	4.02%	3.96%	4.94%

Sergeant					
(family)	4.51%	3.24%	5.29%	4.56%	8.14%
(single)	4.58%	3.04%	4.20%	3.97%	4.99%
Officer					
(family)	4.47%	3.24%	5.14%	4.82%	8.30%
(single)	4.58%	3.04%	3.84%	4.24%	5.04%

What is especially noteworthy is the combined increases for 2001/2002, which are all above 8% for those taking family health insurance (the majority of bargaining unit members take family insurance) and close to 5% for those taking single health insurance. With the anticipation that the health insurance premium increases will be even greater in the next two years than in 2001/2002, the City can ill afford to grant a wage increase equaling that in 2001/2002. In fact, the effect of health insurance premiums upon the City has been financially devastating. The increases in overall health insurance premiums for City employees has exceeded the cost of one police officer. In January, 2001, Assistant Chief Donald Powless resigned his position. The position was not filled.

The past bargaining history establishes that in periods of substantial health insurance premium increases, the Parties negotiated capped amounts. The Parties attempted to negotiate a cap for the next two years but were unsuccessful. Their failure was attributed to not knowing what the health insurance premium increases might be for the next two years, since the insurance

carrier has not given them any indication to date of the anticipated premium increases.

The Parties attempted other options or formulas (combining wage and health insurance) during their approximately four bargaining sessions in the fall and early winter. As a result of not coming to an agreement a mediation session was held on January 3, 2002. A tentative agreement was reached of no increase in wages and the City paying the total cost of the insurance for both the single and family coverage. This proposal was accepted by the Street and Sanitation Departments Unit (represented by the same Union) and rejected by the Police Department Unit. The City has since implemented the no wage increase and fully paid health insurance premiums to non-union employees for the next two years. This leaves only the Police Department Unit not settled for the next two years.

There have been no formal bargaining sessions since January 3, 2002. However, the Parties have kept making proposals up to the fact-finding hearing. Several proposals from both Parties regarding the wages/insurance have been rejected. The City's proposal of a 5% wage increase and paying the cost of the single premium only was presented to the Police Department Unit for a vote and rejected on February 1, 2002. The reasons for rejection are as follows:

- 1) Wage increase of 5% would equal \$0.68 per hour for Officers, \$0.71 per hour for Detective, and \$0.73 per hour for the Assistant Chief based on 2080 hours per year.
- 2) The \$451.33 (difference between the single and family plan) per month, would cost the employee's who have to have the family plan \$2.60 per hour based on 173 hours per month.

The City's Attorney, John A. Pabst, was notified by phone by Lonnie White, UAW International Representative, and the Union countered with a proposal that the employees would pay 50% of the premium for family coverage with a cap of \$75.00 per month and a 5% wage increase.

This Union proposal was rejected by the City and the Union made another offer by modifying only the wage increase to 4%. The 4% wage increase was ultimately rejected by the City, since they appeared at the fact-finding hearing. This would have resulted in wage increases, offset by the health insurance formula offered by the Union, in the range of between \$.12 and \$.16 per hour.

The Union also suggested at the hearing that maybe the fact-finder should look at reducing the wage increase to 3%, while maintaining the same health insurance formula. This would have resulted in wage increases, offset by the health insurance formula offered by the Union, in the range of between \$.03 to - \$.02 per hour.



The fact-finder is faced with a difficult decision in whether to recommend a wage increase and a health insurance formula as offered by the Union or recommend one of the City's proposals. The City's last proposal of providing a 3% per annum wage increase and paying 85% of the health insurance premiums would probably result in a net loss to the Police Department Unit because the wage increase would not make-up for employees having to pay 15% toward the cost of the premiums. Further, the Union's suggested proposal at the fact-finding hearing of 3% wage increase and having employees pay 50% of the premium for family coverage with a cap of \$75.00 per month would be tantamount to no wage increase and would result in a loss in pay to some employees. Thus, this latest Union proposal makes no economic sense.

The Union's fact-finding position of 4% and having employees pay 50% of the premium for family coverage with a cap of \$75.00 per month is not as reasonable as the City's remaining offer of paying no wage increase and paying all health insurance premiums. There are several reasons for this conclusion. First, and foremost, all City employees would be treated equally, thus, creating internal consistency.

Second, when the fact-finder compares the external comparison data from the proposed comparability group consisting

of the cities of Adel, Bloomfield, Centerville, Chariton, Camanche, West Burlington, Winterset, Osceola and Orange City, the Patrol Officers in Albia compares very favorably with respect to the net salary after health insurance premiums for single and family among these cities. Although other cities will probably grant wage increases in the next two years, the net effect of the City paying the anticipated enormous increases in health insurance premiums should be an off-set.

Third, from a tax standpoint the City's position is superior. The health insurance benefits paid to the employees do not have to be matched with either the City or the employee's IPERS or Medicare contribution. The City does not have to match the 9.44%, the employee does not have to pay the 6.3%, and the employee does not have to pay income tax on the benefits. Normally, the burdened state and federal income tax rate at the margin is 25% of net income. Non-taxable benefits assist both the City and employee. The City saves 9.44% and the employee 31.3%.

Finally, if for some unforeseen reason the City reaps a windfall in the next two years by the health insurance premiums not rising as fast as fully anticipated, the Union will have some justification to seek a catch-up increase in wages in the next round of negotiations.

The Parties' representatives are to be complimented on their professional conduct at the hearing and the comprehensiveness of their oral presentations.

**RECOMMENDATIONS**

The City will pay no wage increase and will pay all health insurance premiums.



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Richard John Miller

Dated February 11, 2002, at Maple Grove, Minnesota.

**CERTIFICATE OF SERVICE**

FILED  
2002 FEB 14 AM 10:24  
PUBLIC EMPLOYMENT  
RELATIONS BOARD

I certify that on February 11, 2002, I served the foregoing Fact-Finding Recommendations upon each of the parties to this matter and to the Iowa PERB by U.S. Regular Mail at their respective addresses as shown below:

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Richard John Miller, Fact-Finder